

## Key Changes Involve Transportation, Emergency Farm Aid, Training, and Public Housing

*Federal assistance has increased significantly for highway and transit programs, and farmers are benefiting from emergency farm aid and new tax breaks. Meanwhile, Congress has overhauled the Federal training and public housing programs, giving State and local authorities more flexibility. Most other programs important for rural development are relatively unchanged. Rural areas will benefit, however, from 25 new rural Empowerment Zones and Enterprise Communities, and several other new general assistance initiatives. Areas of key regulatory policy changes include transportation, telecommunications, air pollution, land use and natural resources, and banking and finance.*

Last year, Congress enacted legislation with important implications for all aspects of rural development, including transportation, housing, training, agriculture, and economic development. This issue of *Rural Conditions and Trends (RCaT)* examines these Federal policy changes, focusing on their potential implications for rural development. It includes special articles covering the reauthorization of Federal highway and transit grants, the reform of Federal training programs, and emergency agricultural assistance legislation. It also includes articles on each of four major types of development programs (infrastructure, housing, business, and general assistance) and reviews tax and regulatory changes affecting rural areas.

For the largest infrastructure, housing, business, and general assistance programs, we provide funding totals for 1998 and 1999, and indicate the percentage change from 1998 to 1999 (fiscal years, unless otherwise indicated). We also identify the region and type of rural county or State that is most likely to be affected by each program, using Census data on the geographic distribution of Federal programs, where possible. Data and definitions used to identify places affected by Federal programs are explained in appendix B, and an appendix table shows the rural share of funding for each of the major programs covered.

### **Economic Growth Paves Way for Increased Highway and Transit Aid**

The most significant new legislation, at least in dollars, is the Transportation Equity Act for the 21st Century (TEA-21), which reauthorizes Federal highway and transit programs through 2003. This legislation was delayed 1 year because of divergent views on the appropriate level of assistance for surface transportation. However, an agreement was reached in 1998 guaranteeing surface transportation programs a certain portion of the Federal Budget. The resulting increase in funding for these programs was partially caused by economic improvements that increased Federal Government revenues.

TEA-21 increases funding for most types of surface transportation assistance, including highways and bridges, transit, and related environment/development programs. The overall magnitude of the programs (\$218 billion over 6 years), the programs' large increase in funding (40 percent over previously authorized levels), and the fact that most of the funds are grants rather than loans, makes transportation aid stand out from other development assistance. This underscores the large and growing significance of highway and transit assistance in the development process and its key role in facilitating and shaping development nationwide.

The highway aid formula change should particularly benefit the more rapidly growing States in the South and West, which include a relatively large share of the rural population. TEA-21 also contains new provisions that should enhance the role of local officials in highway planning for rural projects, and authorizes significantly more funding for rural transit, which is important to meet the welfare-to-work challenge in many rural areas. These provisions are discussed in more detail in our special article on TEA-21.

### **Farmers Get Several New Forms of Assistance**

Due partly to the economic difficulties in developing countries in Asia and elsewhere, agricultural prices were depressed for major commodities and many farmers experienced significantly lower income in 1998. This financial setback and other factors, such as drought, have led to various Federal measures to relieve the economic strain on farmers in 1998 and 1999. Some measures, such as ending sanctions against India and Pakistan to enable them to use U.S. guaranteed loans to buy U.S. farm products, are aimed at stimulating demand and, hence, indirectly boosting farm prices and income. Other mea-

asures have directly increased farm income by providing farmers with about \$6 billion in emergency assistance and \$1 billion in tax cuts over 5 years.

The emergency farm assistance and tax cuts for farmers are part of the 1999 supplemental spending package (P.L. 105-277), totaling \$21 billion, which includes funding for anti-terrorism efforts, year 2000 computer solutions, Hurricane Georges disaster relief, and various military and intelligence programs (fig. 1). This assistance is in addition to the \$6.1 billion that Congress provided in April 1998 (P.L. 105-174) to supplement disaster relief and Bosnia peacekeeping efforts in 1998.

Emergency farm assistance is discussed in more detail in our special article on farm relief legislation. The 1998 legislation is significant in at least two respects. First, it provides substantial assistance to distressed farmers. Second, the major 1996 farm legislation had been expected to obviate the need for such assistance. The agricultural tax cuts are targeted to farmers with farm losses and little or no other income and are discussed in more detail in our article on tax policy.

Some farmers will benefit significantly from settlements of two high-profile lawsuits. One was the tobacco deal. After Federal legislative efforts failed to settle the lawsuit between the States and tobacco companies, the States settled directly with the tobacco companies for \$206 billion. Included in the deal was a \$5 billion fund to compensate tobacco farmers for anticipated reduction in tobacco sales. The other lawsuit involved the Department of Agriculture's (USDA) settlement of the *Pigford* and *Brewington* class action discrimination lawsuits by African American farmers. Eligible farmers could receive up to \$50,000 plus forgiveness of debt. The settlement could ultimately pay out as much as \$1 billion in claims.

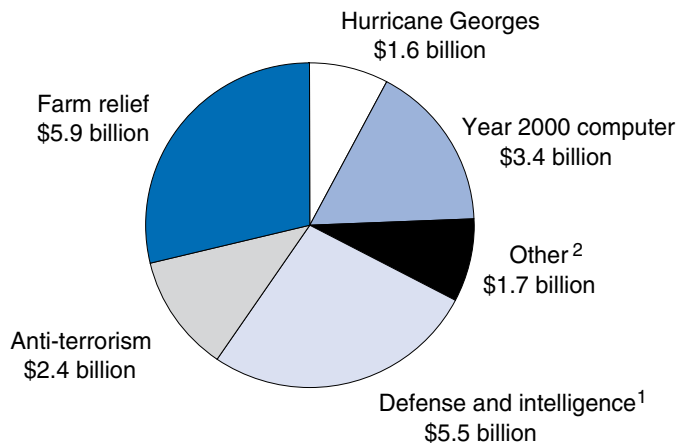
### Training and Public Housing Programs Further Decentralize

In 1996, welfare reform created a more decentralized program in which States have more flexibility in structuring and operating their welfare system. Last year, Congress continued this decentralizing trend in revising training and public housing programs.

Figure 1

#### Emergency spending in the 1999 omnibus appropriation legislation

*Farm relief accounts for more than one-quarter of emergency spending*



<sup>1</sup>Includes military readiness (\$1.1 billion), missile defense (\$1 billion), Bosnia peacekeeping (\$1.9 billion), and intelligence (\$1.5 billion).

<sup>2</sup>Includes Defense/Coast Guard anti-drug program (\$0.9 billion) and other miscellaneous items.

Source: ERS calculations, based on data from *CQ Weekly*, October 17, 1998, p. 2,800.

Two pieces of legislation overhaul the training programs. The first is the Workforce Investment Act, which covers those programs that had been part of the Job Training Partnership Act. This legislation has adopted a one-stop delivery system as the most efficient way of delivering assistance. State and local boards decide on the services to be delivered and to whom. A separate form of assistance is provided to eligible youths through academic and occupational training programs.

The second piece of legislation is the Carl D. Perkins Vocational and Technical Education Act of 1998, which overhauls vocational education and training assistance. This Federal aid helps schools that start and operate technical training programs to prepare students for jobs. The new legislation increases the amount of funding going to local schools and organizations, allowing States to reserve 10 percent of the funds for rural areas and several other special categories of places that might require more assistance than they would get directly from the formula aid distribution. The Workforce Investment Act and the Vocational Education legislation are discussed in more detail in the training and vocational education article in this report.

The public housing reform legislation is covered in our article on housing assistance. As was the case with the training legislation, public housing reform aims to provide local authorities with more flexibility in allocating resources. This moves toward greater use of performance-based policies. Projects will be systematically evaluated, and projects deemed “troubled” may be taken over by the Department of Housing and Urban Development (HUD) or an appointed receiver. Although the new law may result in more diversity and less concentration of low-income families in the rental properties, HUD’s assisted housing programs continue to be targeted to low-income populations. For public housing, at least 40 percent of annual admissions must be below 30 percent of area median income; for Section 8 tenant-based assistance, at least 75 percent of annual admissions must be below 30 percent of area median income; and for Section 8 project-based assistance, at least 40 percent of annual admissions must be below 30 percent of area median income. HUD’s assisted housing programs spend more money in urban areas than in rural areas, but they remain very important to the many rural communities with substantial numbers of low-income residents. Almost all rural counties benefit to some degree from these programs.

### **Other Themes Involve Infrastructure, Business, General Assistance, and Tax and Regulatory Changes**

Funding for most of the larger development programs has not significantly increased or decreased. However, there are some notable exceptions. Among the infrastructure programs, the highway and transit programs, the public works program of the Economic Development Administration (EDA), and several USDA infrastructure programs have received substantial funding increases. These programs are discussed in our article on infrastructure programs. Budgets have been cut for several of the business assistance programs, including the Small Business loans guarantee (7a) program and USDA’s Business and Industry loan program. These, along with microlending programs, are examined in our article on business assistance. Housing assistance is increasing for the rental and public housing programs, including USDA’s Rural Rental Assistance program, and HUD’s public housing assistance. These changes, plus a more detailed discussion of the overhaul of HUD’s public housing programs, are discussed in our article on housing assistance.

Several general assistance programs (the Economic Development Administration and the Appalachian Regional Commission) have been reauthorized, and several other rural general assistance initiatives have begun or are growing in importance. Among the latter are a new \$25 million HUD program devoted to rural housing and economic development, a new regional commission (the Denali Commission) assisting rural areas in Alaska, and grant funding for the second round of USDA’s rural Empowerment Zones and Enterprise Communities. Congress also has authorized the creation of two new clearinghouses for rural economic development information (one in EDA, the other in HUD). These developments are discussed in more detail in our article on general assistance programs.

In addition to the tax breaks targeted to distressed farmers (mentioned earlier in this article), several other important tax changes take effect in 1999. These include the long-term extension (through 2007) of the tax incentives for ethanol fuels and the short-term extension (through July 1, 1999) of the work opportunity tax credit and the welfare-to-work tax credit. State volume limits on private activity tax-exempt bonds have been increased by about 50 percent, and farmers and other small rural businesses will benefit from increased deductions for health insurance costs of the self-employed. These and other tax developments are discussed in more detail in our article on tax policy.

Foremost among the developments discussed in our regulatory policy article is the more aggressive regulatory stance with air and rail transportation, due to the continuing consolidation of these industries and concerns for service to rural areas and industries. Other regulatory issues discussed in this article include the continuing legal battle involving telecommunications deregulation, EPA's new air pollution requirements, a variety of land use and natural resource policy changes, several changes affecting banking and farm credit institutions, and miscellaneous changes such as the possible introduction of new Census Bureau methods and definitions for data collection. Deregulation of electricity, discussed in last year's Federal Programs *RCaT*, might also have significant impact on rural economies. [Rick Reeder, 202-694-5360, [rreeder@econ.ag.gov](mailto:rreeder@econ.ag.gov)]